UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/51/488/Add.1
16 October 1996

ORIGINAL: ENGLISH

Fifty-first session
Agenda item 111

FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS

Implementation of the recommendations of the Board of Auditors

Report of the Secretary-General

Addendum

I. INTRODUCTION

1. In paragraph 7 of its resolution 48/216 B of 23 December 1993, the General Assembly requested the Secretary-General to report to it, at the same time as the recommendations of the Board of Auditors were submitted to the General Assembly, on measures taken or to be taken in response to those recommendations.

2. The present report has been prepared accordingly, on the assumption that all of the recommendations made by the Board of Auditors in volume II, concerning peacekeeping operations, of its report for the biennium ended 31 December 1995 1/ would be approved by the General Assembly at its current session. It addresses the recommendations included in the summary of recommendations in paragraph 10 of volume II of the Board's report. Information is provided on measures taken or to be taken to implement the recommendations of the Board of Auditors, including a timetable where appropriate.

3. In preparing the present report, account was also taken of the provisions of General Assembly resolutions 49/216 of 23 December 1994 (in particular those of paragraphs 9 and 10 of section A, paragraphs 3 and 4 of section B and paragraphs 3 and 10 of section C) and 50/204 A of 23 December 1995, in particular those of paragraph 4.

II. IMPLEMENTATION OF RECOMMENDATIONS CONTAINED IN PARAGRAPH 10 OF THE REPORT OF THE BOARD OF AUDITORS

4. In paragraph 10 (a), the Board recommended that the following action be taken:

> "To ensure accurate reporting of procurement expenditures by field missions, a procedure should be put in place for appropriate adjustments to be made in the allotment accounts in respect of purchases charged against the funds of missions which are not the intended users of the items."

5. The Administration accepts the Board's recommendation with respect to procurement for existing and future missions and will take appropriate measures to implement it. As to the transfer of surplus assets from existing or closed missions to active ones, the procedures being followed are as described in the report of the Secretary-General on the management of peacekeeping assets (A/50/965).

6. In paragraph 10 (b) of its report, the Board recommended that:

> "Control and monitoring of procurement made through letters of assist (LOAs) should be improved as follows:
>
> "(i) Numeric control should be established for all LOAs issued and file copies maintained in the Field Administration and Logistics Division for reference and reconciliation;
>
> "(ii) Details of goods and services requisitioned by troop-contributing nations should be indicated on the LOAs' status report for reconciliation with goods and services actually received at field missions;
>
> "(iii) Monitoring of LOA deliveries should be strengthened to establish the continuing need of outstanding deliveries for appropriate action;
>
> "(iv) The Field Administration and Logistics Division should enforce the requirement of obtaining receiving and inspection reports as proof of delivery before LOA claims are certified for payment."

7. The Administration notes that a number of measures have been taken that are in line with this recommendation: the numeric control system for LOAs has been developed and linked to the financial database to ensure that an appropriate obligating document is prepared in connection with every LOA; miscellaneous obligating documents (MODs) are obligated at Headquarters and the field is provided with a monthly allotment report that reflects the disbursements and obligations against the MODs; the modified text of LOAs now includes reference to receiving and inspection reports to facilitate identification. The Administration will continue its efforts to improve the management control of procurement through LOAs, as recommended by the auditors.

8. The Administration concurs with the Board's recommendation in paragraph 10 (c) of its report that:

> "The Administration should give greater attention to management and completion of liquidation tasks of missions within a specified period by assigning specific responsibility for the post-liquidation functions until all tasks are completed"

and wishes to note that shortage of resources was limiting the capacity of the Department of Peacekeeping Operations to carry out the liquidation tasks effectively. In an effort to complete tasks as early as possible, a post has been established within the Field Administration and Logistics Division to coordinate post-liquidation functions.

9. In paragraph 10 (d) of its report, the Board recommended that:

> "Standard procedures for the transfer and acknowledgement of assets should be developed to provide a prompt and adequate response and to improve transparency in the disposition of assets."

10. The Administration will take appropriate measures to implement the recommendation. The groundwork for this is provided in guidelines on the liquidation of missions, including the policy for the disposal of equipment, which were issued in December 1995, and the material management project, which, once it is implemented in mid-1997, should afford complete and comprehensive global information on assets. Meanwhile, the Administration will enforce the requirement for the acknowledgement of receipt of assets.

11. In paragraph 10 (e) of its report, the Board recommends that:

> "When a Government is unable to provide suitable accommodation free of charge in accordance with the Status of Forces Agreement, the mission should seek the Government's assistance in securing commercial premises at a reasonable and fair rent."

12. The Administration accepts the recommendation and will continue to make appropriate representations to respective Governments. It should be noted, however, that past experience shows that such representations have a rather limited impact.

13. In paragraph 10 (f) of the report, the Board recommended that:

> "For the recently introduced training programme to have a greater impact, consideration may be given to extending it to cover the military logistics personnel and other personnel in the mission involved in the procurement process."

14. The Administration agrees with the recommendation. Introduction of a training programme for the military logistics personnel and other personnel in the mission involved in the procurement process will be considered, subject to funding being made available.

15. In paragraph 10 (g) of its report, the Board recommended that:

> "In future offers of discount for prompt payment, it should be agreed with the contractor that if a delay in payment arises from incorrect invoicing by the contractor, the date the dispute is resolved shall be considered as the date for earning discount."

16. The Administration agrees with the recommendation and wishes to note that efforts were made consistently to obtain the supplier's agreement that the invoice date for discount purposes should be the date of the resolution of disputes. This arrangement was successfully put in place for the logistic support contracts for the United Nations Mission in Haiti, the United Nations Assistance Mission in Rwanda and the United Nations Angola Verification Mission. The recommendation will be implemented shortly by the Procurement and Transportation Division as a standard provision in the requests for proposals and contracts.

17. In paragraph 10 (h) of the report, the Board recommended that:

> "To ensure that the Organization receives adequate compensation for costs it may incur with respect to late deliveries, the Board recommends that when contracts are awarded on the basis of delivery schedules rather than the lowest bid, this fact should be made explicit in the purchase order/ contract and appropriate penalty clauses for non-compliance be jointly agreed upon."

18. The Administration noted the Board's recommendation. The monitoring of delivery is a function routinely executed by the substantive offices. However, the Procurement and Transportation Division will incorporate an appropriate provision for liquidated damages into the contracts awarded on the basis of delivery rather than the lowest price.

19. The delivery date is always part of the requirement with which any offer is expected to comply. Consequently, the offered delivery date is one of the elements leading to the recommendation of an award. The existing Manual of Procedures recommends, in section 7.009, that prospective offerers be also informed when early delivery will be a factor in evaluation.

20. As communicated to the Board, the Administration is concerned whether the benefits from imposing penalties for untimely delivery would be outweighed by the problems of administering the penalty provision. If a penalty clause were to be used, it would be necessary to focus clearly on each purchase order and make sure that it was a reasonable amount at the time of entering into the contract. The potential for litigation would be greater and the application and monitoring would be beyond the capacity of the present staff. Fixing the amount of damages cannot be determined by the Purchase and Transportation Division and would place heavier reliance on requisitioners, consultants and the Office of Legal Affairs.

21. Nevertheless, the Administration continues to explore the modalities of incorporating liquidated damages clauses and the feasibility of incorporating into the Integrated Management Information System (IMIS) the facility for

generating reports on vendors' performance in this regard. At present, receipt and inspection reports provide information on the timely delivery of goods.

22. In paragraph 10 (i) of its report, the Board made the following recommendation:

> "Before assets are transferred from a liquidating mission to a continuing mission, appropriate evaluation should be conducted to avoid the transfer of unserviceable property at additional costs to the Organization."

23. The Administration concurs with the recommendation and wishes to note that the provisional guidelines for the liquidation of field missions stipulate that it is absolutely essential that a 100 per cent inventory check of the quantity, condition and location of all mission assets should be carried out in good time to facilitate the liquidation decision-making process. This is a time-consuming and labour-intensive process, requiring careful planning and management by the mission. The provisional guidelines make it clear that any equipment transferred to other missions or to the United Nations Logistics Base at Brindisi must be in good condition. The Administration wishes to recall that in the instance cited, hostile conditions prevailing on the ground during withdrawal did not allow the mission to conduct the required procedures properly.

24. The Administration will take appropriate measures to implement the recommendation on procurement, contained in paragraph 10 (j) of the Board's report, that:

> "Guidelines on the bidding process should be prepared indicating clearly when tenders should be by advertisement or by invitation to bid."

25. In paragraph 10 (k) of its report, the Board recommended that:

> "The Department of Peacekeeping Operations should identify in advance suitably qualified core field personnel who could be dispatched at short notice to set up new missions. These staff should be adequately trained and provided with an up-to-date field administration manual to enhance their efficiency."

26. The Board's recommendation coincides with the ongoing work of the Administration in developing the concept and operational modalities of rapidly deployable headquarters (RDH) for the start-up phase of peacekeeping missions. RDH will be a compact group of multi-disciplinary staff, including experts in administration, finance and logistics, fully conversant in the relevant United Nations rules, regulations and procedures. This group will be provided with all necessary guidance materials and equipment, capable to be deployed on short notice to the mission area of a new operation. It will be responsible for the groundwork in establishing the new mission headquarters and will be withdrawn after the handover to the permanently assigned mission staff.

27. In paragraph 10 (l) of its report, the Board made the following recommendation:

"Requisitions should continue to be first approved by the Field Administration and Logistics Division using the electronic method of transmission before being passed to the Field Missions Procurement Section for procurement action."

28. The Board's recommendation has been noted.

29. In paragraph 10 (m) of its report, the Board recommended that:

"The mission should provide adequate instructions and training for staff appointed as sector finance officers for more effective control over cash management."

30. Although the Board's recommendation related specifically to the United Nations Protection Force/United Nations Peace Forces, the Administration accepts that it is applicable to all missions. The responsibility for training sector finance officers and providing them with necessary facilities rests with the mission's chief finance officer. However, concrete steps have been taken by the Secretariat to improve the quality of training for all finance personnel. Mission finance officers receive training at Headquarters prior to their departure for the field and there are specialized courses for chief administrative officers, chief finance officers and chief procurement officers. It is also envisaged, resources permitting, that a number of finance experts at Headquarters will be given responsibility, in addition to their normal duties, for providing practical training to the missions' financial personnel. These finance experts will be visiting missions, as necessary, to conduct training and assist in practical problem-solving. In addition, focal points have been designated in the Field Administration and Logistics Division, to whom missions' financial personnel can address specific questions and receive guidance on financial procedures and application of financial rules and regulations.

Notes

1/ Official Records of the General Assembly, Fifty-first Session, Supplement No. 5 (A/51/5), vol. II, sect. II.